Canada Iron

1967
annual
report

Canada Iron

ANNUAL REPORT FOR THE YEAR
ENDED DECEMBER 31, 1967

The fifty-second annual general meeting of Shareholders will be held at the Queen Elizabeth Hotel, Montreal, P.Q. on the 27th March, 1968, at 11 o'clock in the forenoon.

CANADA IRON FOUNDRIES, LIMITED
1121 Place Ville Marie, Montreal 2, Quebec.

REGISTRAR, THE ROYAL TRUST COMPANY,
MONTREAL, TORONTO, HALIFAX, WINNIPEG, VANCOUVER.

TRANSFER AGENT, MONTREAL TRUST COMPANY,
MONTREAL, TORONTO, HALIFAX, WINNIPEG, VANCOUVER.

Contents

Directors

D. W. AMBRIDGE,
Chairman of the Board, Abitibi Paper Company, Limited, Toronto, Ont.
R. J. BAILIE,
Executive Vice-President, Canada Iron Foundries, Limited, Montreal, P.Q.
W. J. BENNETT,
President, Iron Ore Company of Canada, Montreal, P.Q.
HON. F. PHILIPPE BRAIS, Q.C.,
Partner, Brais, Campbell, Pepper & Durand Montreal, P.Q.
R. K. CARTY,
Executive Vice-President, Canada Iron Foundries, Limited, Montreal, P.Q.
#ROSS CLARKSON,*
Honorary Chairman of the Board, The Royal Trust Company, Montreal, P.Q.
J. S. DINNICK,
President, McLeod, Young, Weir & Company, Limited, Toronto, Ont.
C. L. GUNDY,
Chairman of the Board, Wood Gundy Securities Limited, Toronto, Ont.
J. G. KIRKPATRICK, Q.C.,*
Partner, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal, P.Q.
H. J. LANG,*
Chairman and President, Canada Iron Foundries, Limited, Montreal, P.Q.
M. W. MACKENZIE,*
Vice-Chairman, Canada Iron Foundries, Limited, Montreal, P.Q.
A. D. McCALL,
Chairman of the Board, Drummond, McCall & Co. Limited, Lachine, P.Q.
H. E. McKEEN,*
Senior Vice-President, Canada Iron Foundries, Limited, Montreal, P.Q.
T. F. RAHILLY,*
Honorary Chairman, Canada Iron Foundries, Limited, Toronto, Ont.
F. H. SHERMAN,
President, Dominion Foundries and Steel, Limited, Hamilton, Ont.

*Member of Executive Committee
#Resigned December, 1967

Officers

H. J. LANG,
Chairman and President

M. W. MACKENZIE,
Vice-Chairman

H. E. McKEEN,
Senior Vice-President

R. J. BAILIE,
Executive Vice-President

R. K. CARTY,
Executive Vice-President

P. M. DRAPER,
Vice-President and Secretary

D. J. LaFONTAINE,
Vice-President

M. A. LEISHMAN
Vice-President

R. LYLE,
Vice-President

W. D. MONCUR,
Treasurer

I. C. FERRIER,
Controller

Highlights

	1967	1966
Sales	**$142,010,853**	$142,014,849
Net Earnings	**4,402,156**	5,428,213
Shareholders' Equity	**38,439,436**	36,964,011
Bank Advances and Funded Debt	**28,169,423**	24,624,218
Working Capital	**34,764,414**	15,723,359
Capital Expenditures	**2,109,000**	9,668,000
Depreciation	**4,107,728**	3,637,071
Earnings Per Common Share	**1.72**	2.13
Cash Flow Per Common Share	**3.37**	3.59
Dividends Per Common Share	**1.00**	1.00
Book Value Per Common Share	**14.47**	13.79
Net Earnings as % of Sales	**3.1**	3.8
Net Earnings as % of Common Shareholders' Equity	**11.8**	15.4

The Directors' Report to the Shareholders

for the year 1967

Consolidated sales of the operating divisions and the wholly-owned subsidiaries of Canada Iron at $142 million were at the same level in 1967 as the previous year. Net profit in terms of earnings per share amounted to $1.72 — a decrease of 19% from $2.13 reported for 1966. The income tax rates averaged 49% of earnings and remained constant over the two-year period. Regular dividends on the 4¼% Preferred Shares plus four 25¢ quarterly dividend payments on the common shares totalled $2,597,000 which represents a 59% pay-out of earnings. The book value of the common stock increased a further 68¢ per share.

Earnings did not continue to follow the upward trend of the past six years although the 1967 results were the third highest in the history of the company. The combined volume of structural steel fabricated, and mechanical equipment produced was off slightly and severe competition for the reduced market was responsible for a considerable drop in margins. Pipe and foundry sales and earnings were down substantially from last year. Good results were attained in the Electrical, Railway and Plastic Divisions. The subsidiaries, Railway & Power, Pacific Press & Shear, and The Wabi Iron Works, made very satisfactory contributions to earnings.

In March 1967 your company acquired for cash all the stock and the rights under a patent agreement owned by Pacific Press & Shear Corporation, Oakland, California. The company manufactures hydraulic press brakes, shears and presses at Mount Carmel, Illinois. The operations of "Pacific" for the twelve months of 1967 have been consolidated in the accompanying financial statements of Canada Iron. The company's half-interest in Canadian Ludlow Valve Company was increased to 100% ownership through a share purchase and the outstanding minority share ownership of The Wabi Iron Works Limited was also purchased during the year. These acquisitions added to your company's per share earnings as the purchases did not involve the issuance of additional shares of Canada Iron stock.

For a number of years the company has been affiliated with and owned 40% of Canadian Controllers Limited and Amco Furnace Contractors Limited. These interests were sold for cash during the year to the majority owners as it was mutually agreed that the change would benefit the future growth of the companies. In recent years mergers and acquisitions have been responsible for a sizeable portion of the company's growth in volume and in earnings. This approach will become more important in the future to supplement the company's capacity to grow internally with existing products in available markets.

Net additions to fixed assets in 1967 excluding acquisitions of new companies and disposal of minority interests in affiliated companies amounted to $2.1 million — down from $9.6 million in 1966 and the average annual expenditure of $6 million in the prior five years. As there are no new large projects required in the

immediate future, expenditures of this nature including a carry-over of $500,000 from 1967 are budgeted at $3.0 million for 1968.

On May 15, 1967 the company sold $15 million of 6¾% sinking fund debentures, Series D, due 1987. Proceeds of this issue were used to reduce current bank advances. This financing was the major factor in increasing the working capital by $19 million during the year.

The backlog of unfilled orders at year end was moderately lower than at the beginning of the year. New orders booked in the first two months of 1968 have been in keeping with the reduced tempo of general business activity. However, it is expected that the sales volume of the last two years will be at least maintained in the current year. Profit margins are threatened by uncontrollable outside influences, increased direct costs and a slow-down in the growth of markets normally created by capital spending. These unsettled conditions make it extremely difficult to forecast the trend of corporate profits in the near future. However, we are encouraged by the results to date in 1968 from steps taken to reduce expenses and offset rising costs, and by the progress in meeting targets for increased productivity in the company's 22 plants.

When the manufacturing subsidiaries became divisions of the company in 1961, it was recognized that the name Canada Iron Foundries, Limited did not reflect the new and broader scope of the company's interests since it implied that the sole or major activity was in the foundry industry. As an interim step, the shortened version "Canada Iron" was adopted as the corporate signature. It is now considered timely in view of further growth and international operations to change the name completely. The Directors have enacted a by-law providing for the change of name of the company to CANRON LIMITED — CANRON LIMITEE, which will be presented for your sanction at a Special General Meeting to be held on March 27, 1968, the date of the Annual General Meeting of Shareholders.

After many years of valuable contribution to the affairs of the company as a Director, Vice-President and member of the Executive Committee, Mr. Ross Clarkson tendered his resignation which was accepted with regret at the end of the year. Another vacancy on the Board was created through the retirement of Mr. C. W. Carry, a Director and Vice-President since 1957. Since the last Annual General Meeting, Mr. R. J. Bailie, Executive Vice-President, Operations and Mr. R. K. Carty, Executive Vice-President, Finance, have been elected to the Board of Directors.

The Directors acknowledge with appreciation the competence and enthusiasm displayed by the employees in the performance of their duties during the year.

On behalf of the Board,

H. J. Lang

Montreal, Quebec — President.
March 4, 1968.

Consolidated Balance Sheet

As at December 31, 1967 (with comparative figures for 1966)

ASSETS	1967	1966
CURRENT ASSETS		
Cash	$ 1,035,482	$ 845,880
Government guaranteed bonds — at cost (quoted value 1967 — $209,000; 1966 — $206,000)	224,683	224,683
Accounts receivable	28,325,558	26,616,938
Inventories (note 2)	27,905,026	26,126,935
Prepaid expenses	546,480	420,642
Total current assets	58,037,229	54,235,078
SPECIAL REFUNDABLE TAX	325,427	219,360
INVESTMENT IN OTHER COMPANIES		
Shares — at cost (note 3)	76,700	812,703
FIXED ASSETS (note 4)		
Property, plant and equipment — at cost	66,745,999	64,043,965
Accumulated depreciation	37,696,880	34,048,664
	29,049,119	29,995,301
PATENTS at cost less amortization (note 5)	2,837,456	—
UNAMORTIZED DEBENTURE DISCOUNT	497,700	190,952
	$90,823,631	$85,453,394

Signed on behalf of the Board

H. J. Lang,
M. W. Mackenzie } directors

LIABILITIES	1967	1966
CURRENT LIABILITIES		
Bank advances	**$ 4,710,543**	$19,679,218
Accounts payable and accrued liabilities	**15,391,461**	16,548,298
Dividends	**648,224**	650,457
Income taxes	**1,875,087**	986,746
Funded debt maturing within one year	**647,500**	647,000
Total current liabilities	**23,272,815**	38,511,719
DEFERRED INCOME TAXES (note 6)	**6,300,000**	5,500,000
FUNDED DEBT — not maturing within one year (see schedule)	**22,811,380**	4,298,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES	—	179,664
SHAREHOLDERS' EQUITY		
PREFERRED SHARES (note 7)		
Authorized — 100,000 preferred shares of $100 par value		
Issued and fully paid 24,040 4¼% cumulative convertible redeemable preferred shares 1956 series	**2,404,000**	2,629,000
COMMON SHARES		
Authorized — 6,000,000 common shares of no par value		
Issued and fully paid — 2,489,622 common shares	**8,538,740**	8,538,740
RETAINED EARNINGS	**27,496,696**	25,796,271
	38,439,436	36,964,011
	$90,823,631	$85,453,394

See accompanying notes page 13

Consolidated statement of earnings

For the year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
SALES	$142,010,853	$142,014,849
COSTS AND EXPENSES		
Cost of sales, selling and administrative expenses	127,911,671	127,414,890
Directors' remuneration	209,539	301,975
Interest on funded debt	1,115,468	325,510
Amortization of debenture discount	30,752	20,210
Amortization of patents	189,169	
Depreciation of property, plant and equipment	4,107,728	3,637,071
	133,564,327	131,699,656
	8,446,526	10,315,193
OTHER INCOME		
Income from investments	26,548	77,048
Profit on disposal of fixed assets and investments	126,489	147,390
Profit on redemption of preferred shares	32,593	63,582
	185,630	288,020
	8,632,156	10,603,213
INCOME TAXES (note 6)	4,230,000	5,175,000
NET EARNINGS FOR THE YEAR	$ 4,402,156	$ 5,428,213

Consolidated statement of retained earnings

For the year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
BALANCE — BEGINNING OF YEAR	$ 25,796,271	$ 22,578,746
Net earnings for the year	4,402,156	5,428,213
	30,198,427	28,006,959
Excess or (deficiency) of cost of shares over net assets of subsidiaries acquired during the year	104,374	(363,634)
Dividends —		
On 4¼% preferred shares	107,736	120,700
On common shares	2,489,621	2,453,622
	2,701,731	2,210,688
BALANCE — END OF YEAR	$ 27,496,696	$ 25,796,271

Consolidated statement of source and application of funds

For the year ended December 31, 1967 (with comparative figures for 1966)

	1967	1966
FUNDS WERE PROVIDED FROM:		
Net earnings for the year	$ 4,402,156	$ 5,428,213
Charges not requiring the outlay of funds:		
Depreciation and amortization	4,327,649	3,657,281
Deferred income taxes	800,000	1,600,000
	9,529,805	10,685,494
Net proceeds from issue of funded debt	18,824,380	
Reduction of investment in other companies	736,003	31,217
Common shares issued during the year		400,000
	29,090,188	11,116,711
FUNDS WERE APPLIED TO:		
Purchase of fixed assets — net	3,162,546	10,126,543
Purchase of patents	3,026,625	
Funded debt maturing within one year	647,500	647,000
Par value of preferred shares redeemed	225,000	607,000
Payments of special refundable tax	106,067	219,360
Excess or (deficiency) of cost of shares over net assets of subsidiaries	104,374	(363,634)
Decrease or (increase) in minority interest	179,664	(179,664)
Dividends on preferred and common shares	2,597,357	2,574,322
	10,049,133	13,630,927
INCREASE (DECREASE) IN WORKING CAPITAL	19,041,055	(2,514,216)
WORKING CAPITAL — BEGINNING OF YEAR	15,723,359	18,237,575
Increase (decrease) in working capital	19,041,055	(2,514,216)
WORKING CAPITAL — END OF YEAR	$ 34,764,414	$ 15,723,359

Schedule of funded debt

As at December 31, 1967 (with comparative figures for 1966)

	1967	1966
5¾% sinking fund debentures, series "B" due April 15, 1969	$ 1,652,000	$ 1,652,000
Sinking fund requirements — $272,500 on April 15, 1966 to 1968		
Redeemed to date	1,105,000	832,000
	547,000	820,000
6¼% sinking fund debentures, series "C" due October 15, 1977	7,500,000	7,500,000
Sinking fund requirements — $375,000 on October 15, 1958 to 1976		
Redeemed to date	3,750,000	3,375,000
	3,750,000	4,125,000
6¾% sinking fund debentures, series D due May 15, 1987	15,000,000	—
Sinking fund requirements — $600,000 on May 15, 1970 to 1979; $800,000 on May 15, 1980 to 1986		
Term bank loans due in equal annual instalments on June 30, 1969 and 1970	4,161,880	—
	23,458,880	4,945,000
FUNDED DEBT		
Maturing within one year	647,500	647,000
Not maturing within one year	22,811,380	4,298,000
	$23,458,880	$ 4,945,000

February 9, 1968

AUDITORS' REPORT TO THE SHAREHOLDERS. We have examined the consolidated balance sheet of Canada Iron Foundries, Limited and subsidiary companies as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at December 31, 1967 and the consolidated results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

Notes to consolidated financial statements

for the year ended December 31, 1967

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries. Pacific Press & Shear Corp. was acquired early in 1967 and the earnings of this subsidiary company have been included in the consolidated statements for the full year. In addition, the company has acquired the minority interest in The Wabi Iron Works, Limited.

2. INVENTORIES

The inventories are valued at the lower of cost or net realizable value and comprise:

	1967 $	1966 $
Finished products	10,782,100	9,812,522
Work in process	14,123,462	11,744,497
Raw materials and supplies	10,600,202	11,711,601
	35,505,764	33,268,620
Less: Progress billings	7,600,738	7,141,685
	27,905,026	26,126,935

3. INVESTMENTS IN OTHER COMPANIES

During 1967 the company sold its 40% investment in Canadian Controllers Limited and Amco Furnace Contractors Limited.

4. PROPERTY, PLANT AND EQUIPMENT

	December 31, 1967			1966
	Cost $	Accumulated depreciation $	Net $	Net $
Land	2,887,568		2,887,568	2,761,456
Buildings	23,348,920	10,511,832	12,837,088	12,755,843
Machinery and equipment	40,509,511	27,185,048	13,324,463	14,478,002
	66,745,999	37,696,880	29,049,119	29,995,301

5. PATENTS

The rights under a patent agreement were acquired as part of the transaction by which the company also acquired all the outstanding shares of Pacific Press & Shear Corp.

6. DEFERRED INCOME TAXES

The company follows the practice of claiming capital cost allowances for tax purposes which exceed depreciation recorded in the accounts as well as using the progress payment method of calculating income tax for contract sales. The income tax deferments resulting from these practices are credited to "Deferred Income Taxes".

7. PREFERRED SHARES

During the year, preferred shares of a par value of $225,000 were redeemed. The retained earnings include an amount of $1,871,500 which has been set aside as required by the Canada Corporations Act, equal to the par value of the preferred shares redeemed to date.

The conversion privilege of the 4¼% cumulative convertible redeemable preferred shares 1956 series has terminated.

Statistical review

	1967	1966	1965	1964
Sales	**$142,010,853**	$142,014,849	$133,867,306	$112,402,000
Income Taxes	**$ 4,230,000**	$ 5,175,000	$ 5,830,000	$ 3,720,000
Net Earnings	**$ 4,402,156**	$ 5,428,213	$ 5,183,196	$ 3,536,276
Preferred Share Dividends	**$ 107,736**	$ 120,700	$ 144,373	$ 162,010
Common Share Dividends	**$ 2,489,622**	$ 2,453,622	$ 1,728,732	$ 1,114,327
Net Earnings as % of Sales	**3.1**	3.8	3.9	3.2
Net Earnings as % of Common Shareholders Equity	**11.8**	15.4	16.4	12.6
Earnings per Common Share	**$ 1.72**	$2.13	$2.06	$1.38
Dividends per Common Share	**$ 1.00**	$1.00	$0.58	$0.42
Cash Flow per Common Share	**$ 3.37**	$3.59	$3.41	$2.56
Book Value per Common Share	**$ 14.47**	$13.79	$12.58	$10.95
Working Capital	**$ 34,764,414**	$ 15,723,359	$ 18,237,575	$ 15,016,839
Bank Advances	**$ 4,710,543**	$ 19,679,218	$ 16,819,173	$ 11,037,604
Funded Debt	**$ 23,458,880**	$ 4,945,000	$ 5,592,000	$ 7,937,000
Capital Expenditures	**$ 2,109,000**	$ 9,668,000	$ 6,096,000	$ 6,876,000
Depreciation	**$ 4,107,728**	$ 3,637,071	$ 3,292,073	$ 2,874,391
Common Shares Issued	**2,489,622**	2,489,622	2,441,622	2,435,622
Common Shareholders	**5,318**	5,329	4,430	4,404
Employees	**5,224**	5,607	5,261	4,240

1963	1962	1961	1960	1959	1958
$100,279,000	$110,009,000	$100,801,000	$101,346,000	$105,712,000	$ 88,255,000
$ 1,700,000	$ 1,690,000	$ 1,235,000	$ 1,724,587	$ 1,790,140	$ 2,226,637
$ 1,896,605	$ 1,641,526	$ 2,152,187	$ 1,736,264	$ 463,635	$ 2,454,983
$ 181,709	$ 181,709	$ 181,709	$ 181,709	$ 187,108	$ 205,300
$ 809,874	$ 809,874	$ 809,874	$ 911,108	$ 1,209,089	$ 1,136,603
1.9	1.5	2.1	1.7	.4	2.8
6.6	6.2	8.6	7.2	1.3	10.5
$0.70	$0.60	$0.81	$0.64	$0.11	$0.95
$0.33	$0.33	$0.33	$0.37	$0.50	$0.50
$1.65	$1.67	$1.89	$1.57	$1.07	$1.91
$10.04	$9.67	$9.40	$8.92	$8.66	$8.97
$ 18,814,150	$ 19,164,278	$ 17,561,688	$ 17,583,989	$ 16,996,670	$ 21,156,927
$ 8,677,882	$ 14,171,756	$ 12,448,649	$ 14,017,666	$ 17,926,195	$ 17,542,857
$ 8,782,000	$ 9,627,000	$ 10,472,000	$ 12,266,500	$ 13,177,000	$ 14,092,000
$ 4,002,553	$ 2,338,648	$ 1,991,072	$ 1,417,626	$ 4,690,931	$ 2,284,317
$ 2,289,612	$ 2,585,837	$ 2,613,399	$ 2,266,468	$ 2,319,885	$ 2,288,494
2,429,622	2,429,622	2,429,622	2,429,622	2,429,622	2,379,654
5,062	5,231	5,327	4,850	4,712	4,725
4,210	4,725	4,670	5,172	5,421	5,045

Financial Review — 1967

Total assets of the company increased during the year by $5,370,237 to $90,823,631. The major increases were $1,708,620 in receivables, $1,778,091 in inventories and $2,837,456 in patents; these were partially offset by reductions of $946,182 in net plant and $736,003 in investment in other companies.

The increased cost of money and a slowdown in the construction industries have adversely affected the time taken to collect accounts receivable. Progress payments are also becoming more difficult to arrange.

Expenditures for fixed assets in 1967 totalled $2,109,000 to cover normal additions in our many plants, with no noteworthy large additions. Net fixed assets resulting from the acquisition of Pacific Press & Shear Corp. amounted to $1,064,987 and are reflected in our consolidated accounts.

During the year $4,107,728 was charged to costs to cover depreciation on plant and equipment. This is the largest amount ever charged by the company and represents an increase of $470,657 or 13% over 1966. Expressed as cash flow per share, it totalled $1.65 in 1967 as compared to $1.46 in 1966.

Total borrowings of the company increased $3,545,205 during the year to $28,169,423. A large percentage of what had previously been short term bank loans was funded with a $15 million 20-year 6¾% issue which was sold at par with sinking fund repayments beginning in May 1970 and an additional $4,162,000 in medium term bank loans repayable in 1969 and 1970. This contributed to an increase in the working capital position of the company from $15,723,359 to $34,764,414. Interest costs charged to operations increased approximately $470,000 to $2,061,000 due to larger borrowings and higher rates.

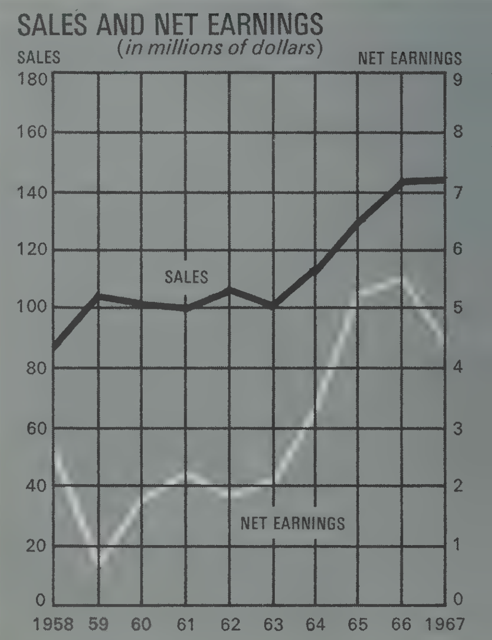
Patent rights valued on the December 31, 1967 balance sheet at $2,837,456 were acquired with the purchase of Pacific Press & Shear Corp. These patent rights will be amortized over a period of 12 years and claimed for tax purposes in the United States as they have a real earning power through licensed manufacturers in Europe, Africa and Australia.

The deferred income tax account increased by $800,000 during the year to a total of $6,300,000, the increase largely resulting from the use of the progress payment method of computing income tax on contract sales.

2,250 preferred shares were purchased on the open market and retired. These preferred shares will be used to meet the requirements of the covenant for redemption. At December 31 we had a cumulative excess of 8,850 shares over actual requirement. The purchase price during 1967 averaged $85.50 per share, giving us a profit of $32,593 which was added to earnings.

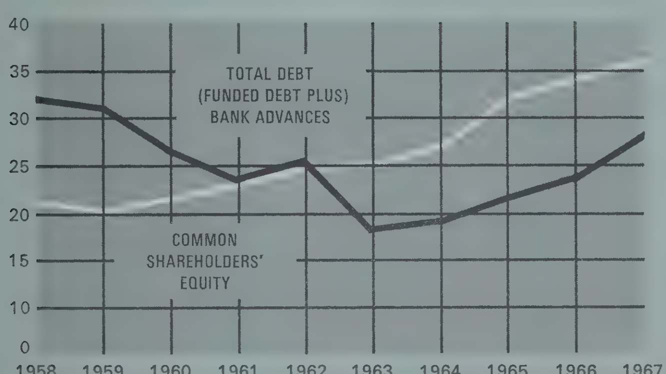
The retained earnings account was reduced by $104,374 as the net amount of the cost of shares purchased exceeded the book value of assets acquired. Pacific shares cost $159,255 more than the book value of the assets, and Wabi shares were $54,881 lower than the assets so acquired.

The book value of the common shares of Canada Iron at December 31, 1967 was $14.47, an increase of 68¢ from the previous year. The after-tax return on the common shareholders' equity was 11.8% in 1967.



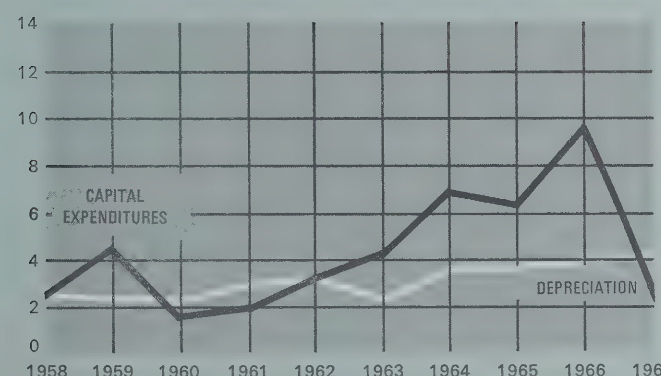
COMMON SHAREHOLDERS' EQUITY AND TOTAL DEBT

(*in millions of dollars*)

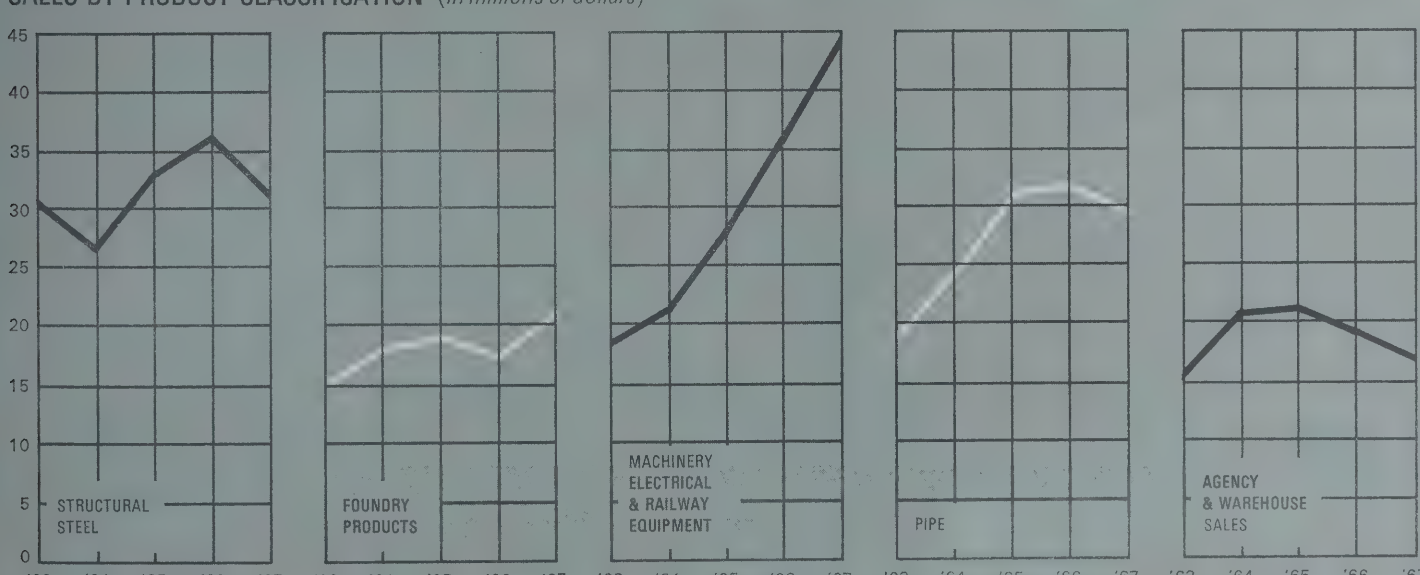


CAPITAL EXPENDITURES AND DEPRECIATION

(*in millions of dollars*)



SALES BY PRODUCT CLASSIFICATION (*in millions of dollars*)



operating review

CANADA IRON 1967 ANNUAL REPORT

Construction of the 4-span Peace River Bridge; completed in 1967.

PIPE

The cost and scarcity of money were responsible for a general reduction in construction activity in 1967. The slow-down in housing starts in the early part of the year also contributed to a reduction in the demand for water pipe and related products. In the Montreal area, sales were depressed due to the virtual suspension of municipal projects for the six months of Expo '67.

The overall decrease of business in Quebec and Ontario has been substantially offset by higher sales in Western Canada, the Atlantic Provinces and Newfoundland, thus enabling the Company to retain its leading position in the industry and maintain shipments of water pressure pipe at a reasonable level.

A satisfactory volume of concrete sewer pipe sales has been attained in the Toronto area, despite a slow-down at mid-year resulting from labour disputes in the construction industry.

During the year, two major orders for Hyprescon concrete pressure pipe helped to maintain the volume of shipments. These covered 50,000 ft. of 20", 24" and 30" pipe for Pierrefonds, Quebec, and 67,000 ft. of 30" pipe for a line from Lake Erie to Talbotville. The use of ductile iron pipe continues to increase and substantial shipments were made to British Columbia for irrigation projects at Vernon and Glenmore.

Improved water pipe joints have been developed for special applications such as the rugged conditions found in the mining industry. Technical services are available for complete soil surveys to establish the requirements for corrosion protection of pipe and fittings.

A family of ductile iron alloys, developed for pipe to carry various types of abrasive materials, has proved successful in dust collector systems in the metallurgical industries.

Five electric induction furnaces, the first in Canada to be used exclusively for cold melting, holding and super-heating metal, were installed at the Toronto iron pipe plant, with resulting greater metallurgical control and product quality. This installation has also eliminated the discharge of air pollutants and the Company received a "cleaner air award" from the Works Committee of Metropolitan Toronto for this achievement.

Intensive efforts have resulted in increased sales in the international market. Shipments of pipe were made to a number of islands in the Caribbean including a $6.8 million prime contract from the Government of the Bahama Islands for expansion of the water supply and distribution system on New Providence Island. Work on the project started in November 1967, and is scheduled for completion prior to the end of 1968.

It is indicated that the moderate economic expansion which commenced in the third quarter of 1967 will continue although no quick solution to the housing shortage is likely, and lack of capital may delay municipal expenditures.

Northern Resins Limited achieved a substantial increase in sales of plastic pipe during 1967. The benefits of plastic pipe have become more evident for water, drain and vent applications in dwellings, golf courses and camping grounds as well as in commercial and industrial buildings. A plant addition, doubling the area of the plant at Berthierville, Quebec, has been completed to meet the rapidly expanding market for plastic pipe.


CAN
IRON

A

C

A

84" diameter reinforced concrete storm sewer pipe.

C

Shipment of ductile iron pipe to the Bahama Islands.

B

Cleaning Ingot Moulds after casting stage.

D

Varistat III power conversion module for a variable speed drive system.

FOUNDRY PRODUCTS

The slow-down in business activity, which began in the last quarter of 1966, continued in 1967 and was accentuated by the further curtailment of capital spending at mid-year.

Price increases, resulting from rising labour and material costs, combined with slow business conditions, have led to sharp reductions of customer inventories. Ingot moulds, stools and sprue plates, used by the primary steel industry in the production of steel ingots represented the largest tonnage of iron castings produced. Overall tonnage shipped during 1967 exceeded that of 1966. Sales of alloy iron castings were down slightly.

The Company is continually exploring the potential for castings in the United States market. During 1967, a substantial volume of hydrant and valve castings was exported from the St. Thomas plant.

The foundry operation at Toronto has been terminated and the portion of the property not suitable for other purposes sold.

The Wabi Iron Works, Limited and The Cobalt Foundry Limited, major suppliers of castings and equipment to the mining industry, increased sales during 1967. These subsidiaries have exported to the U.S.A. special castings and industrial nickel alloy iron wheels. A modest start has been made in South America and it is expected that there will be an increasing demand for mining equipment in this market.

ELECTRICAL EQUIPMENT

1967 sales of electrical equipment were at the same level as in the previous year, despite the fact that the 1966 figure included a substantial portion of the multi-million dollar contract for Montreal Metro traction equipment. The sustained volume of sales was mainly due to major orders for large special motors and an export order for generator sets. Greater penetration in the fractional horse-power motor market was also achieved.

Severe price competition from imported products has continued in the electrical industry. The situation is expected to intensify with the devaluation of the British pound and the reduction of Canadian import duties. To meet this challenge the Company is continuing to improve manufacturing efficiency through use of modern, automated production equipment. Cost reductions are also being effected through product design engineering. An extensive redesign programme was undertaken for motors ranging from 1 H.P. to 200 H.P. and the new designs will be in production during 1968.

Along with increased productivity, progress is being made on expanding export sales.

MACHINERY AND MECHANICAL EQUIPMENT

The postponement of projects by several customers led to a slackening in market demand for some mechanical products, and shipments were down slightly from 1966. This condition is considered to be temporary and the long range outlook is extremely good.

Exceptions to the general trend were the energy and communications industries. The Company's sales of valves, regulators and earth station equipment improved appreciably over the previous year. Of particular interest was another contract for a 95 ft. diameter steerable antenna for installation at Mill Village, Nova Scotia. Within the next few years there will be fifty or more earth stations in operation in countries throughout the world, forming a global satellite

communication system, and the Company is in an advantageous position to compete in international markets.

The agreement concluded in late 1966 with the Blaw-Knox Company, covering rolling mill equipment, has resulted in expansion of traditional markets and a major penetration into the non-ferrous industries. The Company can now offer a broad range of mill machinery to metal producers.

Pacific Press and Shear, Corp. has had an excellent year and further growth is projected for 1968 with sales increasing at higher than the industry rate. Orders for larger machines have steadily increased over the past two years. The average press brake produced today is rated at 300 tons, whereas several years ago the average size was 200 tons. There are several 30 ft. Pacific shears in operation and the Company has recently shipped the world's longest plate shear, capable of shearing 35 ft. in one stroke. Pacific has over 30 exclusive dealerships in the USA and has 8 foreign dealerships including, Japan, Mexico and South America. In addition Pacific equipment is manufactured and sold by International Machinery Corp. (a subsidiary of FMC) in Europe, and by Food Machinery Corporation (Australia) Ltd.

RAILWAY MAINTENANCE EQUIPMENT

Sales of railway track maintenance equipment increased sharply in 1967. A continuing upward trend is expected, with a large portion of the growth from sales outside the North American market.

During 1967 equipment was shipped to Brazil, Spain, Japan, Mexico, Chile, Venezuela, Honduras and Australia. The largest order, from the Chilean State Railways, was valued at over $1 million. An Autojack Electromatic Tamper with Curve Liner was demonstrated successfully in Poland and Czechoslovakia. Due to rapidly increased volume in Australia, a wholly-owned subsidiary, Tamper (Australia) Pty. Limited, was established to sell and service railway track maintenance equipment.

The prototype of the closed circuit television sighting device to be used with the Junior Electromatic Tamper for accurate sighting and to simplify lifting and lining operations is now under test.

A Switch Tamper equipped for quick removal from the track, and capable of travelling on highways, is under development. The prototype is expected to be completed in the second quarter of 1968.

STRUCTURAL STEEL PRODUCTS

During the year a number of large projects including bridges, industrial plants, paper mills, dock facilities and thermal and hydro-electric stations were completed by the seven plants of the structural steel fabricating group.

Sales volume and profits were down from the levels of 1966 because of a deferment of projects which began to be felt at mid-year in some areas.

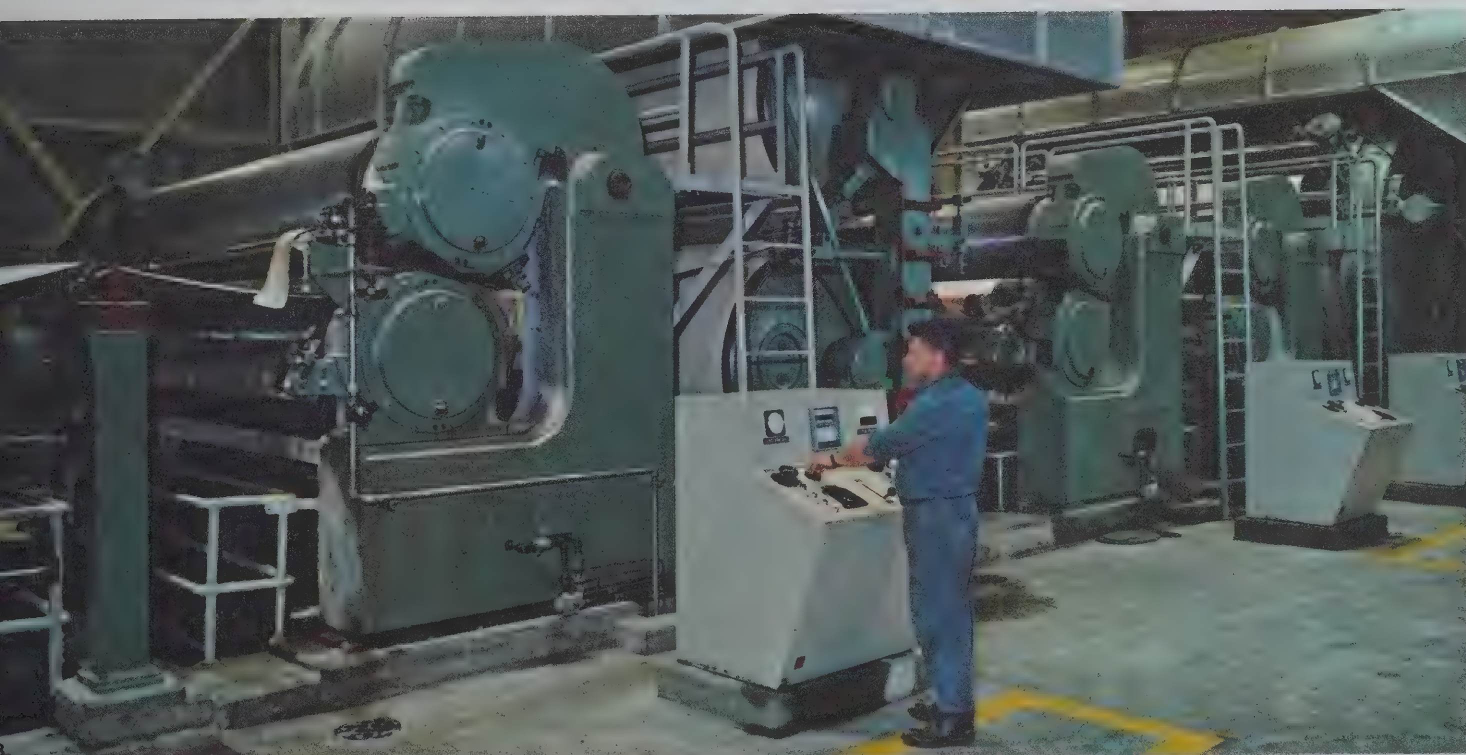
The Toronto plant was fortunate in having most of its work outside south-central Ontario during the protracted work stoppage in that area and operated at almost full capacity with good results.

The Vancouver plant increased its sales of mechanical-structural products, including emergency and regulating dam gates and overhead cranes which contributed to a successful year. A total of eleven dam gates of various designs were manufactured for the Maskeliya project in Ceylon.

An all-steel multi-storey parking garage which can be economically fabricated and quickly erected and easily dismantled for use on another site has been designed by the Company. This new concept in off-street parking garages will be of particular interest in urban and developing areas where land values are rapidly increasing.

A

C



D

A

"Pacific" 2000 ton Hydraulic Press Brake.

C

"Pacific" 750 ton Hydraulic Shear.

B

"Kamyr" wet machine for production of Kraft pulp.

D

Autojack Electromatic Tamper, sold throughout the world

A

Kraft pulp mill for Consolidated-Bathurst, Limited, Portage du Fort, Quebec.

C

Erection of structural steel at Dominion Foundries and Steel, Limited Hamilton, Ontario.

B

200′ high headframe for Potash Mine near Saskatoon.

D

Attitude-Director Indicator supplied by Railway & Power for Canadian Forces aircraft.

B

D

It is generally expected that volume of new work in 1968 will be down from the levels of 1966 and 1967 due to reduced government spending and postponement of some industrial projects. In order to retain a satisfactory share of the market at competitive and profitable rates, progress is being made to increase efficiency through improved engineering design, in-plant fabrication and construction methods.

AGENCY SALES

Railway & Power Engineering Corporation, Limited, with warehouse and sales facilities in fifteen Canadian business centres, distributes a wide variety of industrial equipment and supplies to public utilities, transportation, mining and manufacturing industries. Through its Aerospace & Defence Division, it also offers specialty technical products to commercial and military aircraft manufacturers and to the Canadian Armed Forces.

The reduced level of business available in the railway and other surface transportation systems resulted in lower overall sales volume than that of the previous year.

Sales of Calvert bus duct, an electrical power distribution system, have steadily increased and further gains are projected for the future.

Additional franchises have been obtained for the distribution of hydraulic and pneumatic equipment and thermo-plastic products. These arrangements, coupled with anticipated sales increases in general lines, offer good prospects for the coming year.

PERSONNEL

Thirty collective agreements are now in effect covering plant, office, and construction employees represented by eleven international or national unions.

The nine agreements negotiated in 1967 were concluded for two or three year periods in a spirit of cooperation, with the exception of the agreement covering seven pattern makers at the ingot mould plant that was concluded only after a ten-day strike. Normal plant operations continued during the strike period. Emphasis in the settlements was on direct wage increases which ranged from 5% to 10%, reflecting the continuing upward thrust of wage settlements generally.

The year saw a reduction in accident experience at most locations and the plants at Ottawa and Ville d'Anjou received awards for outstanding safety records. Through supervisory safety talks and increased employee participation on plant safety committees, all employees are kept aware of the continuous effort required to achieve accident-free operations.

A management seminar was held during the winter with approximately 125 senior personnel in attendance. The program, on the theme of operations, was prepared and presented by division and corporate staff personnel.

Company in-plant training for the upgrading of skilled trades was expanded during the year with employees receiving classroom instruction to supplement on-the-job training. The educational assistance program was amended to provide increased allowances for employees pursuing courses of study designed to improve their job qualifications. A number of senior personnel attended a variety of management development seminars conducted by universities and associations.

During the fall, company representatives visited nine universities and interviewed 144 graduating students. Results of the cooperative student employment arrangement with Waterloo and Sherbrooke universities are promising and will be continued.

CANADA IRON FOUNDRIES, LIMITED,
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Offices: Dartmouth, Lachine, Ottawa, Rexdale
Plants: Dartmouth, Ottawa, Rexdale

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Offices & Plants: Winnipeg, Calgary, Edmonton

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Office & Plant: Vancouver

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Concrete Pressure Pipe
Sewer & Culvert Pipe
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Hydrants
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Main Office: 160 St. Joseph Blvd., Lachine, Quebec
Plant & Office: Lachine

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Track Liners
Switch Tampers
Spike Pullers & Drivers
Cross-tie Renewers
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and Lubricators
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Canada Iron

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